

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
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BY ELECTRONIC MAIL

March 4, 2019

Mr. José F. Ortiz Vázquez
Chief Executive Officer
Puerto Rico Electric Power Authority

Re: New Fortress Energía LLC.

Dear Mr. Ortiz Vázquez:

In accordance with the contract review policy of the Financial Oversight and Management Board for Puerto Rico (“FOMB”) established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed contract between the Puerto Rico Electric Power Authority (“PREPA”) and New Fortress Energía LLC (“NFE”) which has been submitted to the FOMB for its evaluation (the “Proposed Contract”).

After reviewing the Proposed Contract, the FOMB approves it subject to the observations and conditions set forth in Appendix A hereto.

Please note that our review is solely limited to the compliance of the Proposed Contract with the applicable fiscal plan and no other matters. For the avoidance of doubt, the review performed by the FOMB does not cover a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local. In addition, the FOMB has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material change to the Proposed Contract must be submitted beforehand to the FOMB for its review.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information not available when the review was conducted. In addition, during the course of our review, we may receive information which we may determine to refer to the relevant authorities.

Mr. Ortiz Vázquez
March 4, 2019
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This letter is issued only to PREPA and solely with respect to the Proposed Contract.

Sincerely,

A handwritten signature in black ink, appearing to read "Jaime A. El Koury". The signature is stylized with a large initial "J" and a long, sweeping underline.

Jaime A. El Koury
General Counsel

CC. Christian Sobrino Vega

Appendix A

Fiscal Plan Alignment

This review covers the proposed contract between New Fortress Energía LLC (“NFE”) and the Puerto Rico Electric Power Authority (“PREPA”) for the services of converting San Juan Units 5 and 6 (collectively, “SJ 5&6”) to burning natural gas (in addition to diesel fuel), and to supply the same units with natural gas for an initial term of 5 years. The proposed contract is valued at approximately \$1.5 billion. The valuation contemplates both the cost associated with the fuel conversion work and the cost of supplying natural gas to SJ 5&6 for the initial 5-year term, excluding any possible contract extension.

Our review was based on five sources of information: (a) the proposed NFE contract; (b) the RFP bidding documents published by PREPA; (c) the RFP evaluation and selection documentation developed by PREPA; (d) correspondence from PREPA in response to Oversight Board inquiries; and (e) in-person meetings with PREPA.

Based on the information made available to us, the Oversight Board estimates that the proposed contract has the potential of generating between \$180 million and \$280 million in savings during the initial 5-year period.¹ Lowering generation costs and transitioning towards cheaper and more environmentally friendly generation resources (including natural gas and renewables) is a key objective of PREPA’s certified Fiscal Plan. The proposed contract is consistent with these objectives.

The Oversight Board’s approval of the proposed contract is subject to the following conditions:

First, because actual savings are dependent on the overall price of natural gas and the actual capacity factor of SJ 5&6, PREPA must provide periodical reporting on the progress of the SJ 5&6 conversion project, as well as on unit dispatch and utilization. PREPA and Oversight staff shall agree on reporting cadence and other requirements.

Second, to ensure savings to ratepayers are maximized, PREPA must conduct a formal study to assess whether to extend the agreement with NFE (and under which terms and conditions) or hold a new competitive procurement process for supplying natural gas to SJ 5&6. PREPA must conclude such study prior to the deadline for notifying its intention to extend the term of the agreement established in Section 3.1(b) of the proposed contract. Any determination to extend the contract or to hold a new competitive procurement process must be based on the results of the said assessment.

This contract review was conducted on the basis of information submitted by the Government of the Commonwealth of Puerto Rico. The Financial Oversight and Management Board for Puerto Rico has not independently verified the information included in the submission. Should FOMB become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.

¹ Actual savings dependent on market prices of natural gas and each unit’s capacity factor.